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APB, SAR, and Nunn-McCurdy Status

**DAMIR Conference
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Wendell Irby

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OUSDA(AT&L)

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APB, SAR, and Nunn-McCurdy Status

Acquisition Program Baseline (APB)
Status

Acquisition Program Baseline (APB)

Purpose

- Contract between the Program Manager (PM) and the Milestone Decision Authority (MDA) documenting program performance, schedule, and cost goals (objectives)
- Provides reference point for measuring program status
- Establishes the PM's trade space:
 - How is the system supposed to perform?
 - When are critical events to occur?
 - How much will it cost?
- Defines the deviation limits (thresholds) beyond which the PM may not exceed without authorization from the MDA

Acquisition Program Baseline (APB)

Background

- Defense Acquisition Improvement Act of 1986 implemented Packard Commission recommendation that DoD “fully institutionalize baselining to improve program stability.”
- Required by Title 10, United States Code, Section 2435 (10 USC 2435) for Major Defense Acquisition Programs (MDAPs)
- DoD Instruction 5000.2 and the Defense Acquisition Guidebook, dated November 2004, provide policies and procedures for APBs and reporting APB breaches for all ACAT IC&ID and ACAT IAM&IAC programs

Acquisition Program Baseline (APB)

Statutory Requirements

- All MDAPs (ACAT IC/D programs) must have APBs
- No funds may be obligated after Milestone B for MDAPs without approved APB (unless waived by USD(AT&L))
- APB must be prepared before “system development and demonstration, production and deployment, and full rate production”
- SecDef must prescribe regulations governing:
 - Baseline contents
 - Submission of reports of baseline deviations
 - Procedures to review deviations
 - Procedures for submission of revised baselines
- For purposes of 10 USC 2433 (Nunn-McCurdy), there are Original and Current Baselines

Acquisition Program Baseline (APB)

Original Baseline

- First APB prepared just before a program enters SDD (Milestone B) or program initiation, whichever occurs later
- For programs designated as MDAPs after Milestone B or program initiation, the Original APB is the first APB approved as an MDAP
- Serves as the current baseline description until a revised APB is prepared at a major milestone, full rate production, or deviation (breach)
- The cost estimate parameter may be revised under 10 U.S.C. 2435 only if a breach occurs that exceeds a critical cost growth threshold for the program under 10 U.S.C. 2433

Acquisition Program Baseline (APB)

Current Baseline

- Shall be revised at major milestone decisions and at full rate production
- Revisions to cost or other APB parameters are not automatically authorized if there is a change to cost, schedule, or performance parameters
- May be revised only:
 - as a result of a major program restructure that is fully funded and approved by the MDA
 - as a result of a program deviation (breach), if the MDA determines that the breach is primarily beyond control of the PM
- Multiple revisions may not be authorized, and in no event will a revision be authorized if proposed merely to avoid a reportable breach
- MDA determines whether to revise the APB

Acquisition Program Baseline (APB)

Default Thresholds

- Performance: No default. *(However, if no threshold provided, threshold same as objective values and vice versa)*
- Schedule: 6 months after the objective date
- Cost: 10% above objective values (BY\$)

Note: Non-default thresholds can be used if justified and approved by the MDA

Acquisition Program Baseline (APB)

Deviations (Breach)

- PM shall immediately notify the MDA of a deviation (beyond threshold) in any cost, schedule, or performance parameter (via Program Deviation Report (PDR))
- Within 30 days of occurrence of the deviation, the PM shall inform the MDA of the reason for the deviation and planned actions
- Within 90 days of occurrence of the deviation
 - A proposed revised APB shall be submitted for approval; or
 - An OIPT or equivalent Component-level review shall be held to review the program
- The MDA shall decide based on above criteria whether it is appropriate to approve a revision to an APB

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Acquisition Program Baseline (APB)

Baseline Contents

- Cover Page (with “approval statement” and PM, PEO, CAE, and DAE signatures as appropriate)
- Performance Goals (Objectives and Thresholds): key performance parameters (KPPs)
- Schedule Goals (Objectives and Thresholds): major milestone decision points, IOC, and other critical events
- Cost Goals (Objectives and Thresholds): RDT&E, procurement, MILCON, acquisition-related O&M, program acquisition unit cost, average procurement unit cost, and other costs as determined by the MDA

Acquisition Program Baseline (APB)

Miscellaneous

- Revising Current APB at major milestone decisions/full rate production serves to update parameters based on knowledge developed during the current phase of the program (baselines evolve through the acquisition process)
- Periodic reporting on APB status is done through the DAES (quarterly) and the SAR (annual with quarterly exceptions)
- The base year used in the APB will change only at a major milestone decisions
- No breach thresholds for then-year dollars, total acquisition cost, total life cycle cost, or quantity

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APB, SAR, and Nunn-McCurdy Status

Selected Acquisition Report (SAR)
Status

Selected Acquisition Report (SAR) *Status*

- Cost, schedule, and performance status on MDAPs required pursuant to 10 USC 2432
- On June 7, 2007, DoD submitted Section 803 report to Congress with recommended changes to SAR format and content:
 - Add percent change to Threshold Breach section
 - Revise Unit Cost Information section (PAUC and APUC table, delete unit cost report and unit cost history sections)
 - Delete contractor estimated price at completion, “planned” deliveries, and O&S cost element breakout
- Implementation of Section 803 changes planned for June 2008

Selected Acquisition Report (SAR) *Status*

- December 2007 SAR will be generated using the DAMIR SAR Web Application (classified and unclassified versions)*
 - Current SAR Baselines (PEs/DEs/PdEs) must be broken out into year-by-year flyaway and support components (difficult task)
 - Current estimate from most recent SAR must be broken out into year-by-year flyaway and support components (some of this information already available)

* *APB Web Application will be implemented at the same time*

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APB, SAR, and Nunn-McCurdy Status

Nunn-McCurdy Unit Cost Reporting
Status

Nunn-McCurdy Unit Cost Reporting

Background/Purpose

- To provide Congressional unit cost reporting for Major Defense Acquisition Programs (MDAPs)
- Drafted by Senator Nunn in 1982 (Representative McCurdy co-sponsored)
- Title 10, United States Code, Section 2433 (Unit Cost Reports) and Section 2435 (Baseline Description)
- Largely unchanged until FY06 National Defense Authorization Act (NDAA) in January 2006

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Nunn-McCurdy Unit Cost Reporting

Unit Cost Measurements

- Two UCR criteria:
 - Program Acquisition Unit Cost (PAUC)
 - Average Procurement Unit Cost (APUC)
- Definitions (in base-year \$) :
 - $PAUC = [Total\ Development\ \$ + Procurement\ \$ + Construction\ \$] / Total\ program\ quantity$
 - $APUC = Total\ Procurement\ \$ / Procurement\ quantity$

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Nunn-McCurdy Unit Cost Reporting

Unit Cost Tracking

- Compare ***Current Estimate*** to ***Current Baseline Estimate*** and to ***Original Baseline Estimate***
 - ***Current Estimate*** – Latest estimate of approved program
 - ***Current Baseline Estimate*** – currently approved Acquisition Program Baseline (APB)
 - ***Original Baseline Estimate*** – APB approved at Milestone B or program initiation, whichever occurs later

[Note: Original Baseline Estimate can be revised only after “Critical” Nunn-McCurdy breach]

Nunn-McCurdy Unit Cost Reporting

Unit Cost Tracking

- Internal – Quarterly unit cost reporting required from program manager to Service Acquisition Executive via DAES
- External – Breach reporting via SAR (see below)

	“Significant” Breach	“Critical” Breach
Current Baseline Estimate	+15%	+25%
Original Baseline Estimate	+30%	+50%

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Nunn-McCurdy Unit Cost Reporting

Reporting Requirements

- For “Significant” breaches:
 - Service Secretary must notify Congress within 45 days after the report (normally program deviation report) upon which the determination is based
 - Submit a Selected Acquisition Report (SAR) with the required additional unit cost breach information

Nunn-McCurdy Unit Cost Reporting *Reporting Requirements*

- For “Critical” breaches,
 - In addition to notification and SAR, the USD(AT&L) must certify to Congress within 60 days of SAR that:
 1. *the program is essential to the national security*
 2. *there is no alternative which will provide equal or greater capability at less cost*
 3. *the new estimates of the PAUC and APUC are reasonable*
 4. *the management structure is adequate to control PAUC and APUC*

(Note: No certification required for a terminated program)

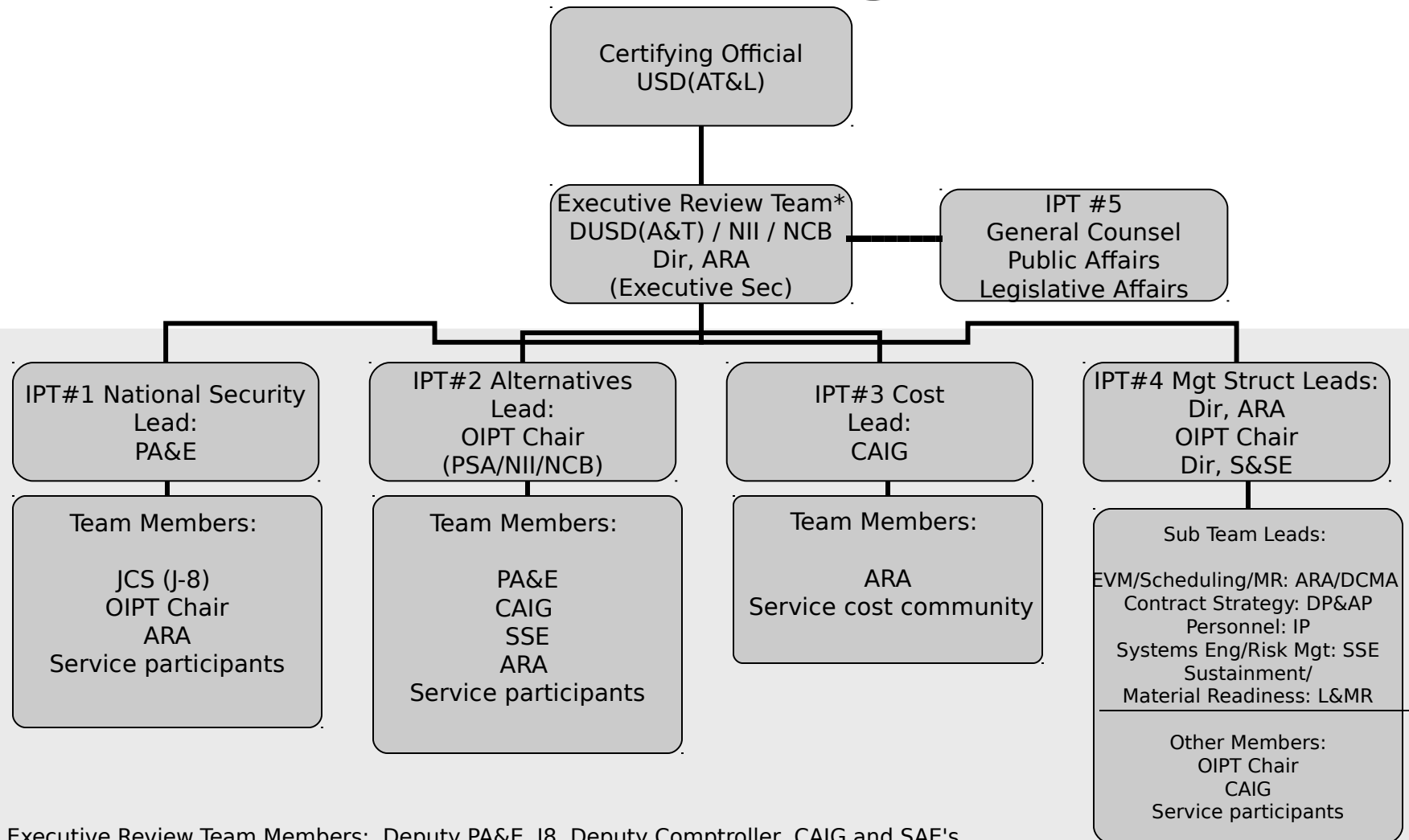
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Nunn-McCurdy Unit Cost Reporting

Certification Process

- USD(AT&L) establishes an IPT for each of the four certification criteria
- Periodic meetings held:
 - USD(AT&L)
 - Principals IPTs (i.e., Executive Review Team)
 - Joint Requirements Oversight Council (JROC)
- Site visits to contractor and PM locations
- Process outputs:
 - Certification package to Congress (Letters with supporting explanation)
 - Acquisition Decision Memorandum (ADM)

Nunn-McCurdy Unit Cost Reporting



* Executive Review Team Members: Deputy PA&E, J8, Deputy Comptroller, CAIG and SAE's

Nunn-McCurdy Unit Cost Reporting *Nominal Schedule*

PM Submits PDR	October 2007-January 2008	
Executive Review Team (ERT) Kick-off Meeting	January 2008	
Service Secretary Notification to Hill 2008	November 2007-February 2008	
ERT Interim Meeting	February 2008	
USD(AT&L) Initial Review	February 2008	
Draft SAR to OSD	February 2008	
Site Visits to Contractor/PM	February 2008	
ERT Interim Meeting	March 2008	
USD(AT&L) IPR	March 2008	
Final SAR to Congress	April 4, 2008	
ERT Interim Meeting	April 2008	
USD(AT&L) IPR	April 2008	
ERT Final Meeting	May 2008	
USD(AT&L) Final Review	May 2008	
Draft Certification and ADMs for Coordination	May 2008	
USD(AT&L) Certification to Congress	June 3, 2008	

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Nunn-McCurdy Unit Cost Reporting *Penalties*

- Suspension of Obligations
 - If either SAR or certification are not submitted on time, obligational authority suspended on all major contracts
 - Suspension shall cease to apply after 30 days of continuous session of Congress (starting from the date of receipt of SAR/certification)

Nunn-McCurdy Unit Cost Reporting

Anatomy of a Breach

- Breaches can occur only to the Current APB or only to the Original APB, but most occur to both
- Normally, there are several contributing factors that cause programs to breach:
 - Significant reduction in quantity
 - Change in requirements since baseline
 - Development or production stretchouts
 - Technical or performance/reliability issues
 - Inadequate estimate at baseline
- Most (not all) programs with “Critical” breaches are certified by the USD(AT&L), but the certified program represents a restructuring of the “program of record”

Nunn-McCurdy Unit Cost

Reporting Status

Service	$\geq 10\% < 15\%$ (Near Breach)	$\geq 15\% \text{ and } < 25\%$ ("Significant")	$\geq 25\%$ ("Critical")
Army	FMTV (>25% ??)	ARH (+20%)	
Navy	MH-60S (+??%)		VH-71 (Determination imminent)
Air Force	B-2 RMP (>25% ??) MPS (>25% ??)	J ASSM (+20%)	C-5 RERP (+50%) NPOESS (certified Jun 06)
DoD	J TRS GMR (>25% ??)		

Nunn-McCurdy Unit Cost Reporting

Original Baseline Status

Service	≥ 20% < 30% (Near Breach)	≥ 30% and < 50% ("Significant")	≥ 50% ("Critical")
Army	PAC-3 (+24%) STRYKER (+29%)	Previously Reported: ATIRCM/CMWS (+49%) CHEM DEMIL CMA (+34%) CMA NEWPORT (+42%) FBCB2 (+38%)	
Navy	E-2C REPRO (+20%)	Previously Reported: F/A-18 (+33%) MH-60S (+47%) VA CLASS (+42%)	
Air Force	C-130J (+27%)		C-5 RERP (+70%) J ASSM (certification pending since J un 07) NPOESS (certified J un 06)
		Previously Reported: J SF (+38%)	

Nunn-McCurdy Unit Cost Reporting

Issues Going Forward

- As a result of FY06 NDAA, DoD will report more “Significant” and “Critical” Nunn-McCurdy breaches
 - Streamline/tailor certification process?
 - Take “Significant” breaches more seriously
- To mitigate increased number of breaches, early warning needed:
 - Increased awareness by Services during budget build
 - Monthly DAES reviews (Total program EVM, DCMA “tripwires”)
 - Work closely with CAIG & Service cost community